

Crime and Corruption in the Balkans



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The Facts...

- The fall of communism in the Balkan region occurred in the late 1980s and early 1990s. New governments and states arose in:

Romania (1989)

Bulgaria (1990)

Albania (1990)

Moldova (1991)

and also on the territory of Former Yugoslavia:

Serbia-Montenegro (1991)

Croatia (1991)

Slovenia (1991)

Bosnia-Herzegovina (1992)

Macedonia (1992)

Kosovo (1999)



The Balkans

The Facts...

- The fall of communism precipitated a dramatic drop in the standards of living, GDPs, GNPs, life expectancies, etc. in virtually all of these countries, creating extreme instances of want and poverty.
- In former Yugoslavia and Moldova, the fall of communism also precipitated the outbreak of violent armed conflicts, leading to the creation of new states and statelets and the death and displacement of hundreds of thousands of people.
- These conflicts were defined in terms of ethnicity (i.e. Serb vs. Croat, Serb vs. Muslim, Macedonian vs. Albanian), but fundamental to each Balkan conflict were the age-old motivations of profiteering and plunder, of amassing great personal wealth amidst war, instability, and social chaos.



War = \$\$\$\$

- The Balkan wars of 1991-95 created enormous opportunities for the shipment of guns, gasoline, alcohol, drugs, prostitutes, and anything else needed or used in wartime.
- Due to a UN arms embargo instituted in 1991, the Croats and Muslims were forced to import arms using global criminal networks skilled at this task.
- For instance, in 1991 the Croats used criminal networks in Argentina to import \$51 million in guns using the Croatian national shipping line, *Croatia Line*. The Muslims, not to be outdone, received some \$350 million in arms from the Third World Relief Agency (TWRA), an Islamic charity with an office and bank accounts in Switzerland.
- Later, after Swiss authorities closed the TWRA offices, the Bosnian Government opened close links with Iran, which sent men and munitions to help fight the Serbs.



Serbia: A Gangster's Paradise

- As for the Serbs...they had guns left over from the original Yugoslav People's Army, but what they didn't have was gasoline. In 1992, the UN imposed complete and total sanctions on the Serbian government—which meant no legal imports or exports of anything whatsoever, even baby formula.
- Therefore, from day one, the Serbian military effort as well as the viability of the Serbian government depended on Milosevic's ability to import and pay for oil.
- In 1992, Milosevic appointed Mihajl Kertes, the former head of state intelligence, as chief customs officer for Serbia-Montenegro. Kertes, using government men and contacts, begins the wholesale importation of oil.
- One arrangement involved the yearly trade of \$100 million in Serbian wheat for Russian gasoline, delivered by boat on the Danube. Another route across Lake Skadar from Albania involved an estimated \$1 million in gasoline per day.



Slobo

Chart 1: Oil smuggling routes to the Federal Republic of Yugoslavia



Criminal Nations...

- Embargo-violating trade, at first a necessity, became a way of life in Serbia-Montenegro, Bosnia, Macedonia, Kosovo, and parts of Croatia; also aided criminal networks in Hungary, Greece, Romania, Bulgaria, and Albania (and indeed throughout the world).
- Two-bit crooks, war profiteers, and killers literally worked hand-in-hand with Balkan politicians in making war possible. These men, in many instances, became politicians themselves. (Two examples: Zeljko Raznjatovic “Arkan” and Gojko Susak)
- The temporary symbiosis between state authorities and organized crime became permanent, leading to

CORRUPT
NON-TRANSPARENT and
CRIME-PERMEATED societies.

- According to some estimates, today black marketeering represents a full 50% of all economic activity in the Balkans.



Arkan



Gojko Susak

Arkan—A Balkan Success Story



From petty crook...



to militia leader...



to genocidal killer...



and soccer club owner...



to elected politician...



...humanitarian



...and pop-culture icon



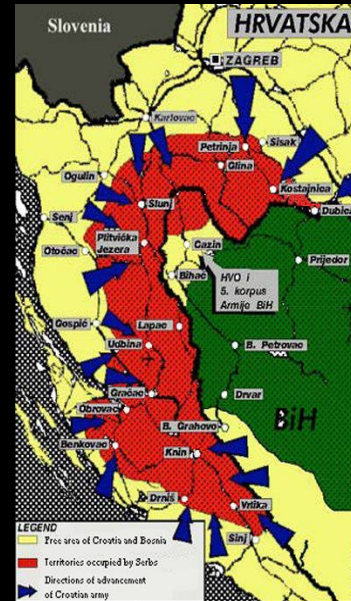
Susak—from Canadian Pizza King to Croatia's Minister of Defense



The arms dealer with connections...



becomes Croatia's Minister of Defense



Oversees the "Storm" Offensive



dies a hero



William Perry eulogizes

Just how corrupt?

- A recent Transparency International survey of corruption in 133 nations worldwide ranked the key Balkan states as follows: Bulgaria (54), Croatia (59), Bosnia (70, tied with Thailand), Romania (83, tied with India), Albania (92, tied with Pakistan), Serbia-Montenegro (106, tied with Sudan), and Macedonia (106). Collectively, the Balkan States were the most corrupt in Europe.
- In Serbia, for instance, the police, the armed forces, the security forces, the customs services, the judiciary, the diplomatic corps, and politicians at all levels of governmental life work in what observer called a “vast factory of criminality.”
- Among other things, Balkan criminal networks deal in:



Contraband Tobacco



Trafficking in Humans



Narcotics



Weapons

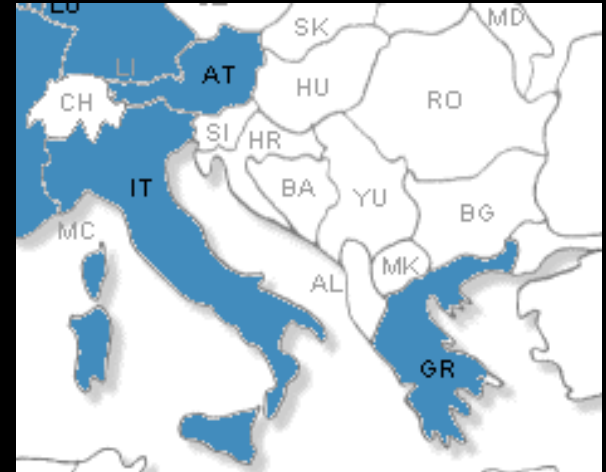
Contraband Cigarettes

- Global trade in cigarettes estimated at \$400 billion per year.
- According to the World Health Organization, 25% of all cigarettes in the world today are contraband, meaning: they are fake, smuggled illegally to avoid the payment of taxes, or both.
- In 2001-02, the European Union lost an estimated \$3.4 billion in tax revenue in cigarettes smuggled from the Balkans, specifically from ports in Montenegro and Croatia.
- In Great Britain alone, the contraband cigarette trade has reached “epic proportions,” with over 30% of cigarettes being sold without paying duties. As with the rest of the EU, most contraband cigarettes in Britain come from the Balkans.



So why the Balkans?

- Don't other regions of the world deal in contraband cigarettes?
- Of course...But today's Balkan kleptocracies have two advantages that most world regions do not have:
 - 1) organized governmental/criminal cartels that produce, import, and export cigarettes with impunity.
 - 2) immediate geographic access to the world's largest market: the European Union.
- Balkan criminal organizations and governments produce legitimate *and* fake cigarettes, but more importantly serve as “middlemen” between American and British manufacturers and consumers in the European Union.



Montenegro

- Montenegro is a former Yugoslav republic with a population of 600,000. Together with Serbia, it makes up the country known today as “Serbia-Montenegro” (what’s left of former Yugoslavia).
- According to some estimates, Montenegro earns \$1 billion per year on contraband cigarettes, 60% of its gross national revenue!!! (Serbia--\$2 billion per year)
- Montenegrin criminal/governmental gangs import British and American tobacco to Montenegro legally, break down the shipments, then move the cigarettes on to Italy.



“The Tobacco Emperor”

Montenegrin PM Milo Djukanovic

- According to a 365-page arrest warrant prepared by the Prosecutor’s Office of Naples, Italy, Djukanovic is head of a billion dollar cigarette smuggling operation that uses Montenegro’s official state apparatus to defraud the European Union.
- In June 1999, for instance, Montenegro imported \$180 million in Marlboro cigarettes directly from Norfolk, Virginia using the national freight carrier *Zetatrans*.
- The consignment, equal to 600 semi-truck loads, was licensed by Phillip Morris for subsequent export to Malta.
- Malta has no record of any cigarettes imported from Montenegro or Serbia in 1999. The cigarettes disappeared.



Milo Djukanovic



Milo and Pals



“The Tobacco Emperor”

Montenegrin PM Milo Djukanovic

- Djukanovic is closely linked with Stanko Subotic “Cane,” whom the American government has described as the richest and most powerful crime boss in the Balkans. (check out <http://www.subotic-group.com> No Joke!!!)
- In 1999, Subotic, worth an estimated \$500 million, gave Djukanovic a Cessna Citation X, a \$17.5 million luxury airplane registered in Delaware.
- Djukanovic uses the plane as a veritable Air Force One; his officials hand carry millions of dollars in undeclared cash in Montenegro’s diplomatic pouches, which they legally deposit in Cyprus, Switzerland, and, it is alleged, the United States.
- Subotic has also been linked to deceased Serbian PM Zoran Djindjic and Croatian general and wanted war criminal Ljubo Cesic “Rojs.”



Stanko Subotic



Air Milo



**“Rojs” as in
Rolls Royce**

European Union vs. Big Tobacco

- In 2000, the European Union sued RJ Reynolds, Phillip Morris, and British-American Tobacco in the U.S. District Court for the Eastern District of New York for “conspiring to cheat the EU out of billions of dollars in customs duties, fees and taxes.”
- Attempted to utilizing the RICO anti-racketeering laws previously used to defeat organized mafias in the United States.
- Suspicions of tobacco industry involvement in cigarette smuggling have been growing since 1997, when researchers compared annual global exports with global imports to demonstrate that about a third of all cigarettes entering international commerce each year could not be accounted for.
- Case thrown out of court due to jurisdictional issues. The court ruled that the US legal system could not be used to collect another country’s taxes.



Philip Morris, Serb entrepreneur

- In Sept. 2003, fresh from its victory in New York court, Philip Morris purchased the largest cigarette company in the Balkans, Tobacco Industry Nish, for \$500 million.
- Likewise, British-American Tobacco purchased a second Serbian company, Vranje, for \$100 million.
- “We want to start manufacturing brands such as Lucky Strike and Pall Mall in Vranje,” said Simon Willis, BAT’s general manager for SE Europe. “Exports are clearly on our mind.”
- Philip Morris regional president Claude Cunz stated that Serbia has a “dynamic and growing economy that holds tremendous future promise.”
- Both BAT and Philip Morris claim that by investing in Serbia, they can help fight counterfeit cigarette production and illegal smuggling to Western Europe.



Trafficking in Humans

- According to the UN Office for Drug Control and Crime Prevention, human trafficking is the fastest growing criminal business in the world.
- There are two forms of human trafficking in the Balkans today:
 - 1) Transporting illegal immigrants to Western Europe, where they work as migrant laborers (much like Mexican illegals in the United States).
 - 2) Transporting women and children to work as prostitutes and sex slaves for the thousands of international workers and peacekeepers stationed in the Balkans.



Economic Migrants

- According to some estimates, the mafia gangs of Eastern Europe earn up to \$3 billion per year trafficking people to the EU.
- On average, it costs \$2,000 for transport from Russia and Eastern Europe, \$5,000 from Central and South Asia, and up to \$20,000 from China.
- The Balkan states are especially active in the transport of illegal immigrants from China, Turkey, Pakistan, Iran, Iraq, Syria, and Afghanistan.
- From 1995-2000, Bosnia-Herzegovina had no visa requirements for immigrants from the Middle East; presumably as a reward for Islamic support for the war effort of 1991-95. (The Bosnian embassy in Vienna supposedly issued Bin-Ladin a phony passport in 1993).
- Therefore, Middle Eastern males used Bosnia as a point of entry to Europe, where they often waited 2-3 weeks for transport across the Adriatic. (Sometimes they traveled on speedboats carrying contraband cigarettes).



Economic Migrants

- During the last years of the Milosevic regime, Serbia allowed tens of thousands of Chinese to immigrate. Milosevic gave them citizenship and allowed them to vote in state elections.
- At one point, there were daily flights from Belgrade to Beijing.
- As the Eastern-most Balkan states, Romania and Bulgaria are also major players in the transport of illegal aliens. According to one estimate, Romania moves some 80,000 illegals each year.
- Italian authorities estimate that 500,000 to 1 million people have illegally immigrated to Italy since 1991, virtually all from the Balkans.



Chinese in Serbia



From Kosovo Refugee Camps
to Italian Brothels

Chart 9: Trafficking of illegal immigrants through Southeast Europe

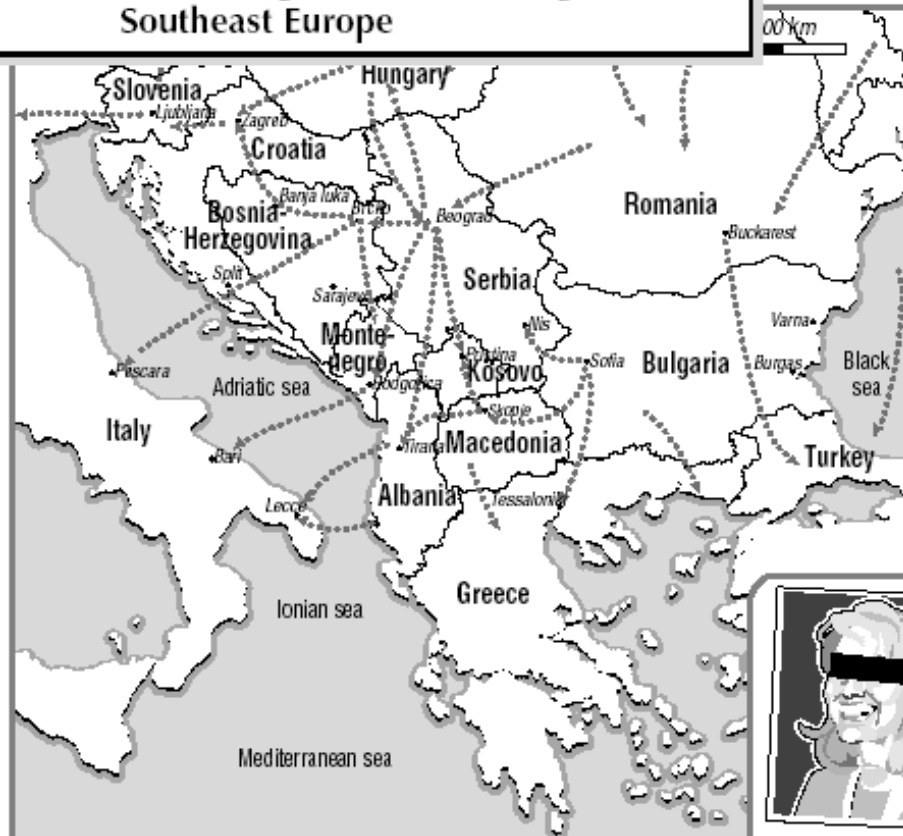


The Sex Trade

- The UN estimates that some 700,000 are trafficked into forced prostitution each year, 200,000 in the Balkans alone.
- Most trafficked women and girls in the Balkans come from four source countries: 1) Russia, 2) Ukraine, 3) Moldova, and 4) Romania.
- The majority of those trafficked have not entered the sex trade willingly, but were promised other jobs in the West as waitresses, bartenders, maids, etc.
- However, when they arrive in the Balkans, they are enslaved, their passports and papers taken, and they are forced to work off the price of their passage as prostitutes.



Chart 10: Trafficking of women through Southeast Europe



Bosnia...One Big Brothel

- According to testimony presented by Human Rights Watch to the House Committee on International Relations (Apr. 2002), there are over 1,000 brothels in Bosnia-Herzegovina and over 15,000 active prostitutes.
- The average monthly income at a brothel with 5 women is \$10,000, provided the women are unpaid and treated as chattel.
- Traffickers sell women to brothel owners, who use the women for a time, then sell them to private individuals or other brothel owners.
- Prices typically range from \$200 to \$2000. However, when a woman is sold, she has to work off the debt of her new boss. Thus, the spiral of slavery continues...



Sarajevo's Wild West



Imprisoned in a Brothel

Where are the police?

- Unfortunately, local police are fundamental to the protection and proliferation of the sex trade.
- Serb, Croat, and Muslim policemen often receive “gratis” sex services for ignoring the sex trade, or traffic women themselves.
- International Police Task Force (IPTF) patrolmen, though under the employ of the UN, have been caught soliciting Bosnian brothels.
- The same is true for other UN workers, foreign journalists, NATO soldiers and NATO civilian workers (though generally not US soldiers stationed in Bosnia—who are generally forced to recreate on base), and NGO workers from dozens of countries working in Bosnia.



The Dyncorp Disgrace...

- The involvement of international peacekeepers in the prostitution business was generally viewed with a “boys-will-be-boys” attitude, until it was discovered in 1999 that American contractors in Bosnia were buying in selling women, and in some instances, girls.
- They were employed by Dyncorp, a Reston, Va. firm that provides maintenance support to US military, and also handles local police training and law enforcement.
- Dyncorp had received at least \$1 billion in US and British military contracts for Bosnia since 1995, and has close to 200 personnel in the region.
- Eight Dyncorp employees were fired in 1999 and 2000 for trafficking in girls and women, however the perpetrators were not prosecuted. (What is more, the 2 key whistleblowers were fired.)




One more bit of seediness...

- In February 2004, the *Los Angeles Times* reported that 29-year-old lobbyist, Karen Weldon, the daughter of U.S. Rep. Curt Weldon (R-Pa.), was awarded a \$240,000 contract to lobby the US Govt. for visas for Dragomir and Bogoljub Karic.
- Known as the Brothers Karic (there are actually four), the two men have been denied visas for their role in various criminal activities in the Balkans, including money-laundering for Slobodan Milosevic.
- Worth an estimated \$4 billion, BK started out as tavern musicians. They today own Serbia's main internet provider, cell phone network, television station, as well as a private "business" college. (check out <http://www.bkgroup.com>)
- Rep. Weldon, a leading voice on East European affairs, said that he played no role in gaining the contract for his daughter, who also received \$500,000 in contracts from Russian energy companies.



**B. Karic, future
American**

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- This presentation was developed for the Center for Slavic and East European Studies by Jason Vuic.